

PROPOSED MEDIUM TERM NOTES (“MTN”) PROGRAMME OF UP TO RM1.0 BILLION IN NOMINAL VALUE FOR 20 YEARS (“MTN PROGRAMME”)

BACKGROUND INFORMATION

(a) ISSUER

- (i) **Name** : Magnum Corporation Sdn Bhd (“**MCSB**” or the “**Issuer**”)
- (ii) **Address** : Registered Office:
35th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
- (iii) **Business Registration No.** : 8272-D
- (iv) **Date/Place of incorporation** : 19 December 1968 / Malaysia
- (v) **Date of Listing** : Not applicable
- (vi) **Status** : Resident controlled company
- (vii) **Principal activities** : The principal activity of MCSB is operation of licensed four digit numbers forecast betting games, investment holding and management services.
- (viii) **Board of Directors** : As at 31 May 2012
1. Tan Sri Dato’ Surin Upatkoon
2. Lawrence Lim Swee Lin
- (ix) **Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders (as at 31 May 2012)**
- | | | <u>Direct interest</u> | |
|--|---|-------------------------------|----------|
| | | No. of ordinary shares | % |
| | Magnum Holdings Sdn Bhd (“ MHSB ”) | 100,050,000 | 99.999 |
| | CIMB Group Nominees (Tempatan) Sdn Bhd | 1,207 | 0.001 |

- (x) **Authorised and issued and paid-up share capital** : **Authorised capital (as at 31 May 2012)**
 RM3,000,000,000.00 comprising 300,000,000,000 shares of RM0.01 each.
- Issued and paid-up capital (as at 31 May 2012)**
 RM1,000,512.07 comprising 100,050,000 Class A ordinary shares of RM0.01 each and 1,207 Class B ordinary shares of RM0.01 each.

PRINCIPAL TERMS AND CONDITIONS

(a) Names of parties involved in the proposed transaction (where applicable)

- (i) **Joint Principal Advisers** : CIMB Investment Bank Berhad (“**CIMB**”), Hong Leong Investment Bank Berhad (“**HLIB**”) and RHB Investment Bank Berhad (“**RHB Investment Bank**”)
- (ii) **Joint Lead Arrangers** : CIMB, HLIB and RHB Investment Bank (“**JLAs**”)
- (iii) **Co-Arranger** : Not applicable
- (iv) **Solicitors** : Messrs Zul Rafique & partners (“**ZRp**”)
- (v) **Financial Adviser** : Newfields Advisors Sdn Bhd
- (vi) **Technical Adviser** : Not applicable
- (vii) **Trustee** : Pacific Trustees Berhad
- (viii) **Guarantor** : Not applicable
- (ix) **Valuer** : Not applicable
- (x) **Facility Agent** : HLIB
- (xi) **Primary Subscriber(under a bought-deal arrangement) and amount subscribed** : Not applicable
- (xii) **Underwriter(s) and amount underwritten** : The Medium Term Notes (“**MTN**”) will not be underwritten.
- (xiii) **Central Depository** : Bank Negara Malaysia (“**BNM**”)

- (xiv) **Paying Agent** : BNM
- (xv) **Reporting Accountant** : Not applicable
- (xvi) **Calculation Agent** : Not Applicable
- (xvii) **Others**
- (i) **Joint Lead Managers** : CIMB, HLIB and RHB Investment Bank and such other Joint Lead Manager(s) as may be appointed for the transaction prior to the issuance (“**JLMs**”).
- (ii) **Security Trustee** : Pacific Trustees Berhad
- (iii) **Placees** : To be finalised prior to each issuance.
- (iv) **Joint Bookrunners** : CIMB, HLIB and RHB Investment Bank and such other Joint Bookrunner(s) as may be appointed for the transaction prior to the issuance.
- (b) **Facility Description** : A MTN Programme of up to RM1.0 billion in nominal value (“**MTN Programme**”).
- The MTN to be issued under the MTN Programme shall hereinafter be referred to as the “**Notes**”.
- (c) **Issue/programme size** : The issue size of the MTN Programme shall be up to RM1.0 billion in nominal value.
- The total outstanding nominal value of the Notes shall not exceed the MTN Programme limit at all times.
- (d) **Tenure of issue/debt programme (or facility)** : The MTN Programme shall have a tenure of twenty (20) years from the date of first issuance of the Notes.
- The Notes may be issued in series and shall have any tenure of more than one (1) year as may be determined by the Issuer and/or the JLMs PROVIDED ALWAYS THAT the maturity of the respective Notes shall not exceed the tenure of the MTN Programme.
- (e) **Available period of debt programme** : Upon completion of documentation and compliance of all Conditions Precedent (as defined in item (q) below) and other applicable conditions to the satisfaction of the JLAs.

The MTN Programme is available for issuance throughout the tenure of the MTN Programme PROVIDED ALWAYS THAT the maturity date of the Notes shall not extend beyond the expiry of the MTN Programme.

- (f) **Interest/coupon rate** : Notes may either be interest bearing at fixed rate or floating rate, or non-interest bearing (zero coupon), to be determined by the Issuer and the JLMs prior to each issuance.
- (g) **Interest/coupon payment frequency** : In respect of coupon bearing Notes, the coupon will be payable in arrears on a semi-annual basis or such other period to be determined by the Issuer and the JLMs prior to each issuance subject to the rules issued by Malaysian Electronic Clearing Corporation Sdn Bhd as amended and/or substituted from time to time ("**MyClear**") or its successors-in-title or successor in such capacity during the tenure of the Notes.
- (h) **Interest/coupon payment basis** : In respect of coupon bearing Notes, the coupon will be calculated on the basis of the actual number of days in the relevant period divided by 365 or in any event, in accordance with the rules of MyClear.
- (i) **Security/Collateral (if any)** : The Notes will be secured (in favour of the Security Trustee for the benefit of the holders of the Notes ("**Noteholders**")) by the following ("**Securities**"):-
- (i) First party charge over all the shares directly or indirectly, legally and beneficially owned by MCSB in Magnum 4D Berhad ("**M4D**") and any other Material Subsidiaries;
 - (ii) Third party charge over all the shares directly or indirectly, legally and beneficially owned by M4D in the other Material Subsidiaries^{^#};
 - (iii) Third party charge over all the shares directly or indirectly, legally and beneficially owned by other subsidiary(ies) of MCSB in the other Material Subsidiaries; and
 - (iv) Charge and assignment over the Designated Accounts (as defined in item (k) below).

^ a Material Subsidiary(ies) means M4D, ENE (Selangor) Sdn Bhd, ENE (Perak) Sdn Bhd, ENE (Penang) Sdn Bhd, ENE (Negeri Sembilan) Sdn Bhd, ENE (Melaka) Sdn Bhd, M4D (Johor) Sdn Bhd, ENE (East Coast) Sdn Bhd, ENE (East Malaysia) Sdn Bhd, Magnum Information Technology Sdn Bhd and any other subsidiary which contributes 5.0% or more to the consolidated profit after tax of the MCSB Group.

the charge over the shares is subject to the overriding non disposal clause set out in clause (v) of the Negative Covenants section.

“**MCSB Group**” shall mean MCSB and all present and future subsidiaries of MCSB.

(j) **Details on Utilisation of Proceeds by Issuer** : The proceeds raised from the first issuance of the Notes under the MTN Programme shall be utilised for the following purposes:

- (i) to refinance existing borrowings of the Issuer and/or its holding company, MHSB;
- (ii) to defray issuance expenses; and/or
- (iii) to finance working capital requirements, future investments and other general purposes in the ordinary course of business.

The proceeds raised from subsequent issues of the Notes under the MTN Programme shall be utilised for the purpose of refinancing any maturing Notes and/or for the purposes in (ii) (if applicable) and (iii) above.

(k) **Sinking Fund and Designated Accounts (if any)**

: **Sinking Fund:**

Not applicable.

Designated Accounts:

Debt Service Reserve Account (“DSRA”):

The Issuer is required to maintain an interest bearing DSRA for the purpose of setting aside on each issue date an amount that is sufficient to pay at least three (3) months coupon for all the outstanding Notes under

the MTN Programme (“**Minimum Balance**”). Such Minimum Balance shall be maintained by the Issuer at all times.

The Minimum Balance in the DSRA shall only be utilised for the payment of the coupon on the Notes. Withdrawals of the Minimum Balance from DSRA shall only be allowed if the Issuer has insufficient funds to make such payments from its internally generated funds.

Any withdrawal of the Minimum Balance from the DSRA and/or shortfall in the Minimum Balance shall be replenished within a period of not exceeding seven (7) business days from the date of withdrawal and/or shortfall.

Any funds in the DSRA exceeding the Minimum Balance may be transferred to the OA.

DSRA is to be operated solely by the Security Trustee.

Funds held in the DSRA may be utilised for investments in Permitted Investments (as set out in clause (w)(xi) below).

MCSB’s Operating Accounts (“OA”):

Each of the Issuer’s present current accounts and any other future current account(s) which the Issuer may open from time to time other than the DSRA shall be designated as OA and the same shall be maintained by the Issuer for the purpose of capturing all of its monies, income and any other receipts received by the Issuer whether it is capital or revenue in nature, including proceeds of insurance claims.

Prior to occurrence of a Trigger Event (as defined in item (t) below) or a declaration of an Event of Default (as defined in item (s) below) as the case may be, the OA shall be operated solely by MCSB.

Upon the occurrence of a Trigger Event and/or a declaration of an Event of Default, the OA shall be operated solely by the Security Trustee and be subject to the following payment waterfall:

- a) to pay/set aside taxes, duties, fees, or levies to any public or governmental authorities/bodies which are statutorily preferred by the laws of Malaysia and which are due and such other financial obligations as specified in the licence issued by the Ministry of Finance to MCSB or as requested by the Ministry of Finance for the collection, operation or promotion of pool betting;
- b) to pay salaries of the employees of the Issuer up to an aggregate amount of RM2.0 million;
- c) to pay/set aside fees and expenses of the Issuer including fees, costs charges, expenses and liabilities incurred by, and all other amounts then due to the Trustee, Security Trustee, Central Depository, Paying Agent and the Facility Agent;
- d) to pay/set aside the coupon payments under all outstanding Notes including default interest, if any;
- e) to pay/set aside the principal payments under all outstanding Notes due and payable;
- f) to pay/set aside the relevant amount to meet the Minimum Balance;
- g) to pay/set aside all incidental fees, costs and expenses incurred or to be incurred in relation to the MTN Programme; and
- h) upon the payment/set aside of the above expenses, should there be any balance of cash in the OA, MCSB shall be entitled to utilise the aforesaid funds for purposes of funding all its day-to-day business operations or may be utilised for investments in Permitted Investments.

(l) Rating

- Credit rating(s) assigned : Unrated.
- Name of rating agency : Not applicable.

(m) Mode of Issue

: Private placement via direct placement or book running on a best effort basis, as the Issuer may elect without a prospectus or an information memorandum.

Issuance of the Notes under the MTN Programme shall be in accordance with (1) the rules of MyClear and (2) any other procedures/guidelines/rules issued by the relevant authorities from time to time (as the same may be amended and/or substituted from time to time).

(n) Selling Restriction, including tradability (i.e. tradable or non-tradable)

: At the point of issuance of the Notes fall within:

- (i) Section 4 (6) of the Companies Act (“CA”) and
- (ii) Schedule 6 (or Section 229(1)(b)) of the Capital Markets & Services Act 2007 (“CMSA”) and Schedule 7 (or Section 230(1)(b)) of the CMSA; read together with
- (iii) Schedule 9 (or Section 257(3)) of the CMSA.

The Notes are non-transferable and non-tradable.

(o) Listing Status and types of listing

: Not applicable. The Notes will not be listed on any stock exchange.

(p) Other Regulatory Approvals Required in relation to the Issue, Offer or Invitation and whether or not obtained

: Not applicable.

(q) Conditions Precedent

: The issuance of the Notes shall be subject to the following conditions including but not limited to: -

For the establishment of the MTN Programme

- (i) Receipt of the following by the Solicitors and the JLAs: -
 - a) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;
 - b) Certified true copies of the latest Forms 24, 44 and 49 of the Issuer;
 - c) Certified true copies of the board resolution of the Issuer

authorizing, among others, the establishment of the MTN Programme, the issuance of the Notes, the execution of all the legal documentation necessary for the establishment of the MTN Programme and the issuance of the Notes ("**Issue Documents**"), list of the Issuer's authorized signatories and their respective specimen signatures nominated to approve including but not limited to any variation to the terms and conditions of the Notes issue and to sign all notices, documents and legal documents in connection with the MTN Programme;

- d) Satisfactory company search report on the Issuer and any security party; and
 - e) Satisfactory winding up search report on the Issuer and any security party.
- (ii) All necessary approvals and consents required (including but not limited to the shareholders of the Issuer and any security party and the existing lenders/financiers of the Issuer and/or the relevant security party) for the MTN Programme (if required) have been obtained and compliance with all conditions to such approvals;
- (iii) Receipt of undertaking(s) cum redemption letter(s) from the existing financier/lender in relation to item (j)(i) confirming the redemption amount and undertaking to discharge all securities created thereunder, where applicable, upon receiving the redemption sum;
- (iv) Satisfactory legal due diligence for the MTN Programme shall have been completed by the Solicitors and the results thereof being acceptable to the JLAs;
- (v) Satisfactory execution of all Issue

Documents and where relevant, stamped or endorsed as exempted from stamp duty under the relevant legislation and where applicable presented for registration;

- (vi) Receipt of satisfactory legal opinion from the Solicitors to the JLMs, JLAs and Facility Agent as to the legality, validity and enforceability of the Issue Documents;
- (vii) Written confirmation from the Solicitors to the JLMs, JLAs and Facility Agent that all Conditions Precedent in relation to the MTN Programme have been duly complied with;
- (viii) Evidence that the Designated Accounts have been opened and maintained with financial institutions acceptable to the JLAs;
- (ix) All relevant notices and acknowledgement (where applicable) shall have been made or received, as the case may be;
- (x) Board resolution of any security party in relation to the giving of the relevant security and execution of the relevant security documents; and
- (xi) Such other Conditions Precedent as may be advised by the Solicitors and to be mutually agreed between the Issuer and the JLAs.

For Each Issuance

- (i) Issuer's certification that it is in compliance with all Representations and Warranties and Covenants under the Issue Documents;
- (ii) Issuer's written confirmation set out in the issue request, on the specific purpose of the utilisation of the Notes proceeds which is satisfactory to the potential Placees;
- (iii) Receipt of satisfactory supporting report, document, opinion and

information evidencing the purpose of the utilisation of the Notes' proceeds and/or relevant in the context of the issue of the Notes as may be requested by the potential Placees or the JLAs or the Solicitors;

- (iv) No Event of Default and/or Trigger Event has occurred and continues to subsist; and
- (v) Such other conditions precedent to be reasonably requested by the JLAs and/or the potential Placees and/or advised by the Solicitors and to be mutually agreed between the Issuer and the JLAs.

(r) Representations and Warranties

Representations and warranties typical and customary for a facility of this nature as advised by the Solicitors including but not limited to the following: -

- (i) The Issuer is a company duly established and existing under Malaysian law and has the power and authority to enter into the businesses in which it is engaged;
- (ii) The Issuer has not opened any other account(s) save for the Designated Accounts prior to the first issuance;
- (iii) The Issue Documents create valid and binding obligations which are enforceable on or against the Issuer;
- (iv) Under the Issuer's Memorandum and Articles of Association, the Issuer has the power to enter into, exercise its rights under and perform its obligations under the Issue Documents to which it is a party;
- (v) Upon taking all necessary actions and obtaining the consents and approvals under item (q)(ii), (v) and (ix) above, all necessary actions, authorisations and consents required under the Issue Documents and the MTN Programme have been taken, fulfilled and obtained and remain in full force and effect;
- (vi) Upon taking all necessary actions

and obtaining the consents and approvals under item (q)(ii), (v) and (ix) above, the Issuer's entry into, exercise of its rights under and performance of the Issue Documents to which it is a party do not and will not violate any existing law or any agreements to which it is a party;

- (vii) The Issuer is in compliance with and will comply with all applicable laws and regulations;
- (viii) The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and they fairly represent its financial position;
- (ix) No litigation or arbitration is current or, to the Issuer's knowledge is threatened, which if adversely determined would have a Material Adverse Effect (as defined in item (w)(x)) on the ability of the Issuer to comply with its obligation under the Issue Documents or the MTN Programme; and
- (x) Any other representations and warranties in relation to the Issuer and/or the relevant security party, as advised by the Solicitors.

(s) Events of Default

: Events of Default typical and customary for a facility of this nature as advised by the Solicitors, including but not limited to the following: -

- (i) The Issuer fails to pay any sum due under the Notes and/or the Issue Documents on the due date and such default is not remedied within seven (7) business days after the relevant due date;
- (ii) The Issuer fails to maintain the Minimum Balance in the aforesaid DSRA. Any withdrawal of the Minimum Balance from the DSRA and/or shortfall in the Minimum Balance shall be replenished within a period of not exceeding seven (7) business days from the date of

withdrawal and/or shortfall;

- (iii) Any representation or warranty made or implied under any provision of the Issue Documents or any information, notice, opinion or certificate or other document delivered pursuant to the terms of the Issue Documents proves to have been incorrect or misleading in any particular respect which is deemed to be material by the Trustee as of the date on which the representation or warranty was made or was deemed made;
- (iv) The Issuer or any of its Material Subsidiaries, where applicable, fails to observe or perform or commits a breach of any of its obligations under any of the Issue Documents to which it is a party or under any undertaking or arrangement entered into in connection therewith (other than the payment obligations referred to in paragraphs (i) and (ii) above) which is not capable of remedy or if capable of remedy, the failure is not remedied within seven (7) business days thereof or such other period as may be agreed by the Noteholders;
- (v) Any consent or license or authorisation or approval referred to in the Issue Documents granted and/or issued to the Issuer is revoked or withheld or invalidated or modified that impairs or prejudices the Issuer's and/or the security party's ability to perform their respective obligations under the Issue Documents or is otherwise not granted or fails to remain in full force and effect;

For avoidance of doubt, any temporary non-renewal of the consent or license or authorisation or approval granted and/or issued to the Issuer referred to in the Issue Documents from the relevant expiry date(s) shall not immediately tantamount to occurrence of an Event of Default, PROVIDED ALWAYS THAT such non-renewal shall not prolong beyond a period of more than three (3) months from the relevant

expiry date(s) aforesaid or on such date the Issuer and/or the relevant security party has been informed in writing by the relevant authority that the consent or license or authorisation or approval (as the case may be) will not be renewed, whichever is the earlier (“**Grace Period**”). Upon expiry of the Grace Period, the Trustee shall be entitled to declare an Event of Default;

The Trustee shall not be restricted from declaring an Event of Default if at any time during the Grace Period, other Events of Default under this section has occurred;

- (vi) The Issuer or any of its Material Subsidiaries, where applicable, enter into or propose to enter into, or there is declared by any competent court or authority, a moratorium on the payment of indebtedness or other suspensions of payments generally;
- (vii) Any provision of the Issue Documents is or becomes illegal, void, voidable or unenforceable which may have a Material Adverse Effect or any of the Issue Documents is or becomes illegal, void, voidable or unenforceable;
- (viii) A winding order has been made against (a) the Issuer or M4D; or (b) any of its other Material Subsidiaries which may have a Material Adverse Effect, where applicable;
- (ix) A resolution to wind up (a) the Issuer or M4D; or (b) any of its other Material Subsidiaries which may have a Material Adverse Effect, where applicable, has been passed;
- (x) A scheme of arrangement under section 176 of the Companies Act 1965 has been instituted against (a) the Issuer or M4D; or (b) any of its other Material Subsidiaries which may have a Material Adverse Effect, where applicable in respect of or affecting its or their respective indebtedness, save where such

scheme of arrangement is for the reconstruction of the MCSB Group and which had been approved in writing by the Trustee, which approval is not to be unreasonably withheld, unless during or following such reconstruction the Issuer, M4D or such Material Subsidiaries becomes or is declared to be insolvent;

- (xi) A receiver has been appointed over the whole or a substantial part of the assets of (a) the Issuer or M4D; or (b) any of its other Material Subsidiaries which may have a Material Adverse Effect, where applicable;
- (xii) (a) The Issuer cease or threaten to cease to carry on all or a substantial part of its business that it now conducts directly or indirectly; or (b) any of its Material Subsidiaries cease or threaten to cease to carry on all or a substantial part of its business that it now conducts directly or indirectly which may have a Material Adverse Effect;
- (xiii) (a) The Issuer or M4D become insolvent or commits an act of insolvency or is unable to pay its debts as they fall due; or (b) any of its other Material Subsidiaries become insolvent or commits an act of insolvency or is unable to pay its debts as they fall due which may have Material Adverse Effect; or (c) any final judgment or judgments is or are obtained against the Issuer or against any of its Material Subsidiaries which may have a Material Adverse Effect, where applicable provided that no Event of Default shall occur under this item (xiii) if an application is made to stay such judgment within the time prescribed by law and such judgment is discharged or stayed within thirty (30) days (or such extended period as may be consented by the Trustee which consent is not to be unreasonably withheld) of the application to stay;

- (xiv) The Issuer or any of its Material Subsidiaries, where applicable, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, begins negotiations or takes any proceedings or other steps with a view of readjustment, rescheduling or deferral of all of its indebtedness (or of any substantial part of its indebtedness which it will or might otherwise be unable to pay when due) or proposes or makes a general assignment or any arrangement or composition with or for the benefit of its creditors. For purposes of this item (xiv), references to “substantial” shall mean, in respect of the indebtedness, an aggregate amount of at least Ringgit Malaysia Eighteen Million (RM18,000,000.00) at any point in time;
- (xv) If any other debentures of or monies borrowed by the Issuer or any of its Material Subsidiaries, where applicable, becomes repayable by reason of default or any amount owing thereunder or in respect thereof is not repaid on its due date (or is not remedied within seven (7) business days thereof or such other period as may be agreed by the Noteholders) or becomes due and payable prior to its stated maturity if any guarantee or indemnity given by the Issuer, any of its Material Subsidiaries, where applicable, is not honoured when due and called upon or if any security for any such obligations, debentures, monies borrowed, guarantee or indemnity becomes enforceable PROVIDED ALWAYS THAT no Event of Default under this clause shall occur if the aggregate amount of such indebtedness for monies borrowed is less than Ringgit Malaysia Eighteen Million (RM18,000,000.00); and
- (xvi) Any other events of default as advised by the Solicitors.

Upon the occurrence of the foregoing, the Trustee may or shall (if directed to do so by

the Noteholders) in a special resolution declare that an Event of Default has occurred and may take such proceedings or cause the Security Trustee to take such proceedings against the Issuer and/or any security party as it may think fit to enforce its rights under the Issue Documents including the enforcement of the Securities.

(t) Trigger Event : A trigger event shall be deemed to have occurred in the event the Issuer fails to renew its licence(s) or authorisation(s) or approval(s) referred to in the Issue Documents upon the expiry of the Grace Period.

(u) Covenants : **Positive covenants**

Positive covenants typical and customary for facility of this nature as advised by the Solicitors including but not limited to the following and those required to comply with the SC's Trust Deeds Guidelines: -

- (i) The Issuer will preserve and keep in full force and effect all consents, authorizations, licenses and rights necessary for the conduct of its business;
- (ii) The Issuer shall remain as a subsidiary of Multi-Purpose Holdings Berhad unless otherwise consented to by the Trustee (acting on instructions of the Noteholders by ordinary resolution);
- (iii) The Issuer shall immediately notify the Trustee upon occurrence of any of the abovesaid Events of Default and/or Trigger Event and provide the Trustee with all relevant details of any steps which the Issuer is taking or is considering taking, in order to remedy or mitigate the effect of such breach or Event of Default or otherwise in connection with it, and the Issuer shall take such reasonable steps to remedy or mitigate the effect of such breach or Events of Default.

The Issuer shall promptly notify the Trustee and Security Trustee in the event the Issuer fails to renew its licence(s) /authorization(s)/approval(s) referred to in the Issue Documents;

- (iv) The Issuer shall ensure compliance of the aforesaid Minimum Balance and should there be any withdrawal of the Minimum Balance from the DSRA and/or shortfall in the Minimum Balance, the Issuer undertakes to replenish the foregoing within seven (7) business days from the date of such withdrawal and/or shortfall;
- (v) The Issuer and the security party will comply with all provisions and perform its respective obligations under the Issue Documents to which it is a party;
- (vi) The Issuer shall maintain and/or cause to be maintained such insurances with licensed insurance company or companies in respect of their respective assets and businesses against all risks which a prudent company carrying on a business similar to that of the Issuer or the security parties (where applicable) would normally insure;
- (vii) The Issuer shall promptly notify the Trustee and Security Trustee of any new current account(s) that it opens/maintains in its name;
- (viii) The Issuer shall promptly comply with all applicable laws including the provisions of the CMSA and/or notes, circular, conditions or guidelines issued by the SC from time to time; and
- (ix) Any other reasonable positive covenants as advised by the Solicitors.

Negative covenants

Negative covenants typical and customary for facility of this nature as advised by the Solicitors including but not limited to the following and those required to comply with the SC's Trust Deeds Guidelines, without the prior written consent of the Trustee (acting on instructions of the Noteholders): -

- (i) The Issuer and security party will not surrender, transfer, assign, relinquish or otherwise dispose of any of their respective rights and interest under any of the Issue Documents to which it is a party;

- (ii) The Issuer will not enter into any amalgamation, demerger or reconstruction which may materially affect its ability to perform its obligations unless it is and will be the surviving legal entity and such amalgamation, demerger or reconstruction is not reasonably expected to have a Material Adverse Effect;
- (iii) The Issuer shall not carry out any acts which would have a Material Adverse Effect on the business, assets or the valuation of the Issuer or the MCSB Group as a whole or adversely affect its ability to observe or perform its obligations under the Issue Documents to which it is a party;
- (iv) The Issuer shall not make further drawing/issuance of the Notes under the MTN Programme during the occurrence of a Trigger Event and/or an Event of Default;
- (v) Unless otherwise provided herein, the Issuer shall not dispose of any of its interest in:
 - (a) M4D; and
 - (b) any of its other Material Subsidiaries and ensure that M4D shall not dispose of any of its interest in such other Material Subsidiaries save and except to the extent that such other Material Subsidiary(ies) after the disposal shall remain as a subsidiary of MCSB, where MCSB and/or M4D, as the case may be, holds more than half of the issued share capital of such other Material Subsidiaries (excluding any part thereof which consists of preference shares);
- (vi) The Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar

effect or any agreement to create any of the foregoing, save and except for any liens arising in the ordinary course of business by operation of law and not by way of contract and such other exceptions to be determined in the Trust Deed;

(vii)The Issuer will not add to, delete, vary or amend its Memorandum & Articles of Association in a manner inconsistent with the provisions of the Issue Documents or which may be materially prejudicial to the interests of the Noteholders; and

(viii)Any other reasonable negative covenants as advised by the Solicitors.

Financial covenants

1) Debt Service Cover Ratio

The Issuer shall maintain at all times a Debt Service Cover Ratio (“DSCR”) of not less than 1.50 times.

DSCR is defined as the ratio of the MCSB Group’s net operating cashflow plus opening cash balances (including Permitted Investments) less any capital expenditure and dividend payments to the aggregate of:

The total principal and coupon/interest repayments due and paid under the MCSB Group’s borrowings and all finance charges paid during the relevant financial year. This excludes repayment of Notes, which are refinanced or replaced via a rollover or new issuance from the MTN Programme, of which the rollover or new issuance must occur within the same financial year.

For avoidance of doubt, repayment of the Notes that are not refinanced or replaced via a rollover or new issuance occurring in the same financial year will be treated as a net repayment and the amount will be included in the calculation of the DSCR for that financial year.

2) EBITDA to Total Debts Ratio

The Issuer shall maintain at all times a Consolidated Earnings Before Interest Depreciation & Amortisation (“EBITDA”) to

Total Debts (as defined herein) ratio of not less than 0.3 times.

For purposes of computation of this ratio, EBITDA shall be the average of the EBITDA for the past two (2) financial years.

Total Debts shall mean:

- (1) all principal amounts outstanding under the MTN Programme; and
- (2) all other indebtedness for borrowed moneys (be it actual or contingent), hire purchase obligations, finance lease obligations, net exposure determined on a marked to market basis under any derivative instrument (but excluding forward contracts entered into in the ordinary course of business which are trade in nature) and obligations/ contingent liabilities under guarantees/call or put options of the MCSB Group. For the avoidance of doubt, any double counting of any sum which might otherwise be included as a result of this definition, shall be disregarded.

The computation of DSCR and EBITDA to Total Debts Ratio shall be based on MCSB Group's latest audited accounts and confirmed by the auditors, whereupon a director of the Issuer shall provide a written confirmation to the Trustee confirming that the DSCR and EBITDA to Total Debts Ratio have been complied with.

(v) Provisions on buy-back and early redemption of Notes : Buy-back

The Issuer, its subsidiaries (where applicable) or agent(s) who is acting for the purchase, may at any time prior to the maturity of the Notes, purchase the Notes by private treaty but such repurchased Notes shall be cancelled and not resold.

Early redemption

The Issuer may, at its option, redeem in whole or in part (on a pro-rata basis), of a particular series of the Notes before their respective maturity dates at the Early Redemption Amount (as defined below), plus accrued interest to be calculated from and

including the preceding coupon payment date until and excluding the date of early redemption ("**Early Redemption Date**") based on a 365 days year.

The Issuer must issue a notice ("**Early Redemption Notice**") to the Facility Agent and Trustee not less than fourteen (14) calendar days before the Early Redemption Date notifying the Facility Agent and Trustee of the Early Redemption Date and the particulars of the series of Notes that the Issuer wishes to redeem including the amount of such series to be redeemed.

Early Redemption Amount

The Early Redemption Amount shall be the higher of (i) the nominal value of such Notes to be redeemed or (ii) the Early Redemption Price ("**ERP**").

The ERP shall be calculated by the Facility Agent based on the following formula and the calculation of the Facility Agent shall be final and binding:

$$\text{ERP} = \frac{\text{NV} \times \text{ERF}}{100}$$

Where:

NV means the aggregate nominal value of the Notes to be redeemed; and

ERF means the early redemption factor per RM100 (rounded to 2 decimal places) subject to a minimum of RM100, calculated as follows:

N = Number of coupon payment date(s) between the original maturity date and the Early Redemption Date

T = Number of days from the Early Redemption Date to the coupon payment date immediately following the Early Redemption Date

E = Number of days between the coupon payment date immediately preceding the Early Redemption Date to the next coupon payment date immediately following the Early Redemption Date

MKT YTM = Reference MGS plus Spread

S = Number of days from the coupon payment date immediately preceding the Early Redemption Date to the Early Redemption Date

$$ERF = \left[\frac{100}{\left[1 + \left(\frac{MktYTM}{2} \right)^{(N-1) + \left(\frac{T}{E} \right)} \right]} + \sum_{k=1}^N \frac{\left[100 \times \left(\frac{PPR}{2} \right) \right]}{\left[1 + \left(\frac{MktYTM}{2} \right)^{(k-1) + \left(\frac{T}{E} \right)} \right]} - \left[\frac{S}{365} \times PPR \times 100 \right] \right]$$

For the purposes of calculating the ERF, the following variables shall be used:

- 1) **“Reference MGS”** shall be the Malaysian Government Securities rate for the tenor which is equal to the remaining tenor of the Notes and shall be determined from:
 - (i) the latest consolidated Government Securities Rates (Conventional) published by BNM daily, two (2) business days prior to the date of the Early Redemption Notice; or
 - (ii) if (i) above is unavailable, the arithmetic average of the mid-rates quoted by any five (5) principal dealers, two (2) business days prior to the date of the Early Redemption Notice;

PROVIDED ALWAYS THAT if the tenor of the series is not an integer or is not a readily quoted tenor, the Reference MGS shall be interpolated on a linear basis using the rates derived from (i) or (ii) above.

- 2) **“PPR”** means the coupon rate for the Notes expressed as a percentage per annum.
- 3) **“Spread”** shall be 0.65%.

(w) Other principal terms and conditions for the issue

(i) Issue Date : The Notes shall be issued on a date to be mutually agreed upon between the Issuer and the JLAs. The first issuance of the Notes under MTN Programme shall be within two (2) years from the date of the SC's approval.

(ii) Redemption at maturity : Unless previously redeemed and cancelled, the Notes shall be redeemed by the Issuer at its nominal value on the respective maturity date.

For the avoidance of doubt, any Notes under the MTN Programme redeemed and cancelled may be reissued during the available tenure of the MTN Programme.

Any reissuance shall not exceed the available limit of the MTN Programme.

(iii) Status & Ranking : The Notes shall constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and will at all times rank pari-passu without preference or priority among themselves and will rank at least pari passu to all other present and future unsecured obligations of the Issuer from time to time (subject to those preferred by law).

(iv) Form and Denomination : Form

Each series of the Notes shall be represented by a global certificate to be deposited with BNM and shall be in bearer form. No physical delivery of the Notes is permitted.

The Notes shall be prescribed and be reported under the rules of MyClear and shall comply with all rules and requirements set out by MyClear.

Denomination

Each Notes certificate shall be issued in denomination and multiples of RM100,000 if issued through the rules of MyClear or such other denominations as shall be agreed upon between the JLAs and the Issuer.

- (v) Taxes** : All payments in respect of the Notes will be made by the Issuer after deducting or withholding any amount for or on account of any present or future taxes or duties of whatsoever nature imposed or levied by the Government of Malaysia or any authority thereof or therein having power to tax and which are required by law to be deducted or withheld.
- The Issuer shall be required to pay any additional amount in respect of any such deduction or withholding or payment of principal or coupon for or on account of any such taxes and duties.
- (vi) Issue Price** : The Notes may be issued at par, premium or at a discount to the nominal value and the issue price shall be calculated in accordance with the Operational Procedures for Securities Services issued by MyClear, as amended or substituted from time to time.
- (vii) Documentation** : The terms and conditions of the Notes shall be set out in various agreements in form and substance (including but not limited to standard clauses such as increased cost, market disruption, indemnity, etc) acceptable to the JLAs, and the Issuer and as deemed necessary by the Solicitors.
- (viii) Trust Deed** : The Notes shall be constituted by a trust deed, which shall be administered by the Trustee acting on behalf of the Noteholders. The trust deed shall be in compliance with the Trust Deeds Guidelines issued by the SC effective 12 August 2011.
- (ix) Default Interest** : Interest on overdue amounts shall be payable at 2.0% per annum above the base lending rate of the respective Noteholders (if the Noteholder is a commercial bank) or Hong Leong Bank Berhad (if the Noteholder is not a commercial bank), where applicable, on the amount unpaid from and including the relevant due date to but excluding the date of actual payment, calculated based on the actual number days elapsed and a year of 365 days.
- (x) Material Adverse Effect** : In relation to an event or circumstance, the occurrence or effect of which (in the opinion of the Trustee) may have a material adverse effect on: -

- (a) the business or condition (financial or otherwise) or prospects of the Issuer and/or its Material Subsidiaries taken as a whole, or
- (b) the ability of the Issuer and/or the security party to perform any of their respective obligations under any provision of the Issue Documents, or
- (c) the legality, validity, binding effect or enforceability of the Notes or the Issue Documents; or
- (d) the rights of or remedies available to the Trustee, Security Trustee and/or the Noteholders under any provision of the Issue Documents.

(xi) Permitted Investments

: Permitted Investments shall mean: -

- (i) Securities guaranteed by the Government of Malaysia;
- (ii) Money market instruments (such as bankers' acceptance or promissory notes or certificates of deposit) issued by any bank licensed pursuant to the Banking and Financial Institutions Act 1989 ("**BAFIA**") or any development financial institution licensed pursuant to the Development Financial Institutions Act 2002 ("**DFIA**") and having a minimum long term rating of AA3 and short term rating of P1 by RAM Rating Services Berhad ("**RAM**") or their equivalent rating by such other approved rating agencies or money market funds where there is the flexibility of early withdrawal without incurring any penalty;
- (iii) Deposits with any bank licensed pursuant to the BAFIA or any development financial institution licensed pursuant to the DFIA and having a minimum long term rating of AA3 and short term rating of P1 by RAM or their equivalent rating by such other approved rating agencies.

(xii) Interested Person

: The Notes held by the Issuer or any interested person of the Issuer shall not be counted for purposes of voting at any meeting of the Noteholders. The interested person shall include directors, major shareholders and chief executive as defined

under the SC's Trust Deeds Guidelines but will not include the categories of major shareholders as provided under the exception in paragraph 22.04 of the SC's Trust Deeds Guidelines.

- (xiii) Jurisdiction** : The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.
- (xiv) Governing Laws** : Laws of Malaysia.